United States
…ent of Agriculture
…gricultural Service

January 1985

Foreign Agriculture

Charting The Path of U.S. Farm Exports

Marketing News

U.S. Sponsors Christmas Cookie Promotion in Japan

About 50 Japanese cooking teachers and editors from major Japanese newspapers, women's magazines and television networks attended a Christmas cookie tasting sponsored by the **U.S. Agricultural Affairs Office** at the New Sanno Hotel in Tokyo this fall.

All the cookies, which were prepared by U.S. embassy families, featured U.S. raisins, walnuts, peanut butter, cheese and/or almonds. Although Japanese food editors traditionally have looked to France and other European countries for new ideas, American cookie franchises have stimulated great interest in American-style cookies.

In addition to the cookies, avocado dip and traditional Christmas beverages, such as cranberry punch, eggnog and hot mulled wine (made with California wine) were served. Each guest received a press kit with recipes for all of the cookies and beverages served, as well as samples of other ingredients used. The promotion was sponsored by the **American Soybean Association** (for promotion of dairy products and eggs), the **California Avocado Advisory Board, the California Almond Growers Exchange, the California Raisin Advisory Board, the California Walnut Advisory Board, CPC Japan** (for Skippy Peanut Butter), the **Kikkoman Corporation** (distributor for Ocean Spray Cranberry Juice), and the U.S. Agricultural Affairs Office (for wine promotion).

Stepped-Up Cotton Activities In Yugoslavia

Since Yugoslavia has emerged as one of the top U.S. export markets for raw cotton as well as the fifth largest consumer of raw cotton in Western Europe, **Cotton Council International (CCI)** is planning to step up its market development activities in Yugoslavia in fiscal year 1985. The availability of Commodity Credit Corporation credits has helped overcome the main constraint to U.S. sales—Yugoslavia's lack of hard currency—and future prospects appear good. For fiscal 1985, CCI has proposed two major market development activities: a visit of a representative of the Yugoslav spinning industry to the United States and a U.S. cotton trade team visit to Yugoslavia.

Wood Products Handbook Available from NFPA

The **National Forest Products Association (NFPA)** has just published a handbook on U.S. trade in wood products. *Trends in Trade: The United States in World Wood Markets* pulls together data on U.S. trade never before available from one source. This book is designed for use by U.S. manufacturers and traders and presents key trade trends by major overseas market and country supplier. It also contains data and analysis of U.S. wood trade. Copies are available from the NFPA, 1619 Massachusetts Avenue, N.W., Washington, D.C. 20036. Tel. (202) 797-5820.

Pasta Potential in the Far East

According to the **U.S. agricultural counselor in Tokyo**, excellent potential exists for exports of U.S. pasta to the Japanese market. Over the past 10 years, Japanese imports of pasta from all sources have gradually trended upward, currently accounting for 13 percent of total Japanese pasta consumption. U.S. pasta exporters can participate in this trend, but must be able to compete in price and quality with traditional sources of supply.

Potential for pasta sales also exists in Hong Kong, where macaroni, spaghetti and vermicelli were fairly rare items only a decade ago, according to the **U.S. agricultural officer in Hong Kong**. Today, people in Hong Kong are turning from rice to bread and noodles, enjoying spaghetti in restaurants and pizza shops. Instant noodles have made spectacular advances into Chinese households. Western-style pasta, such as spaghetti, is still largely confined to restaurants. But as mini-ovens in the home are becoming more common, potential for pasta products is expanding beyond the restaurant trade.

Hong Kong's imports of pasta increased significantly during 1981-83. Instant noodle imports were up 53 percent, while macaroni, spaghetti and vermicelli increased 22 percent. Taiwan, Japan and Singapore provide 90 percent of the imported instant noodles. China and Japan were the major suppliers of macaroni and spaghetti noodles. While potential exists for high-quality pasta products in the Hong Kong market, the trade officer advises that this market is a price-conscious one, and the major competition remains China.

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Features

Departments

Developing Country Debt—What it Means for Exporters

By Mathew D. Shane and David Stallings

The developing world has been the fastest growing market for U.S. agricultural products over the past decade. But the present international debt crisis has cast a pall over export prospects in the 1980s.

Renewed growth in that market, with significant additional export sales for U.S. exporters, could be forthcoming if aggressive actions are taken to help developing countries get over their debt crises.

What Went Wrong?

The current debt problem had its origins in 1973-74, the period of the first steep oil price rise. At that time, the developed world chose to accommodate higher oil prices by adopting an easy money policy that injected a lot of new liquidity into the international financial system.

International bankers, anxious to recycle this oil money, began a massive lending program to middle-income oil importing countries. As a result, international debt swelled by more than 20 percent a year during the 1970s.

The accumulated debt was not a particular problem until the second oil price shock of 1978-79.

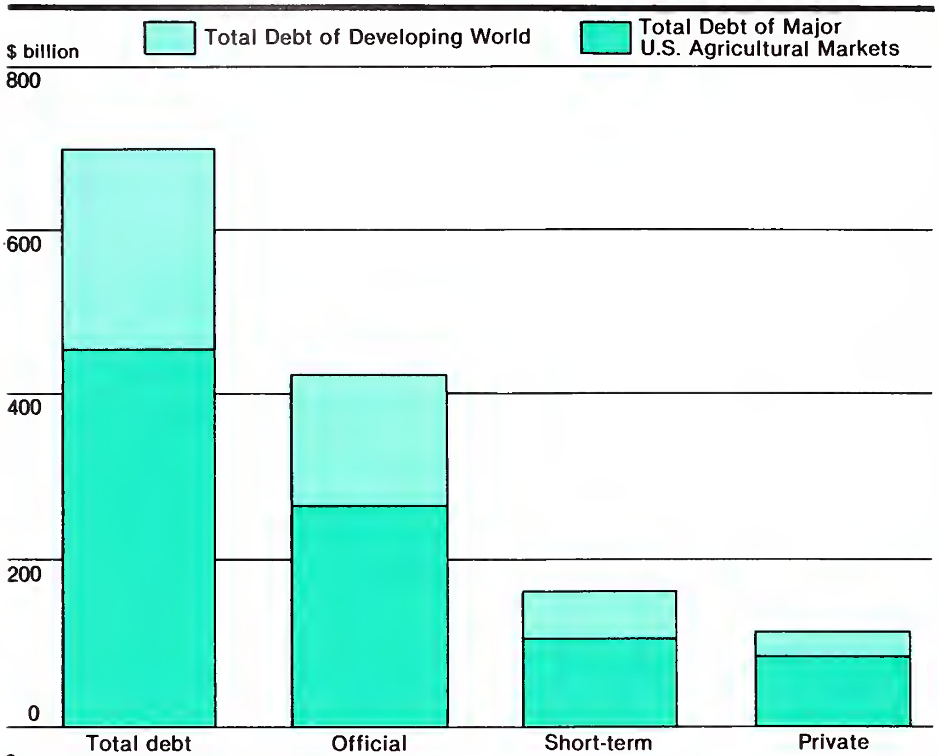
This time the developed countries, instead of accommodating the jump in energy costs by easy money policies, followed a deliberate policy of slowing monetary growth. This sharply curtailed world economic growth and raised real interest rates to the highest level in recent history.

As a result, many developing countries could not even pay the interest on the debt they had accumulated, nor could they continue funding long-term development projects.

Added Complications

By 1982 the developing world had accumulated about $700 billion in debt. Much of this debt was owed to private lenders at variable interest rates. When

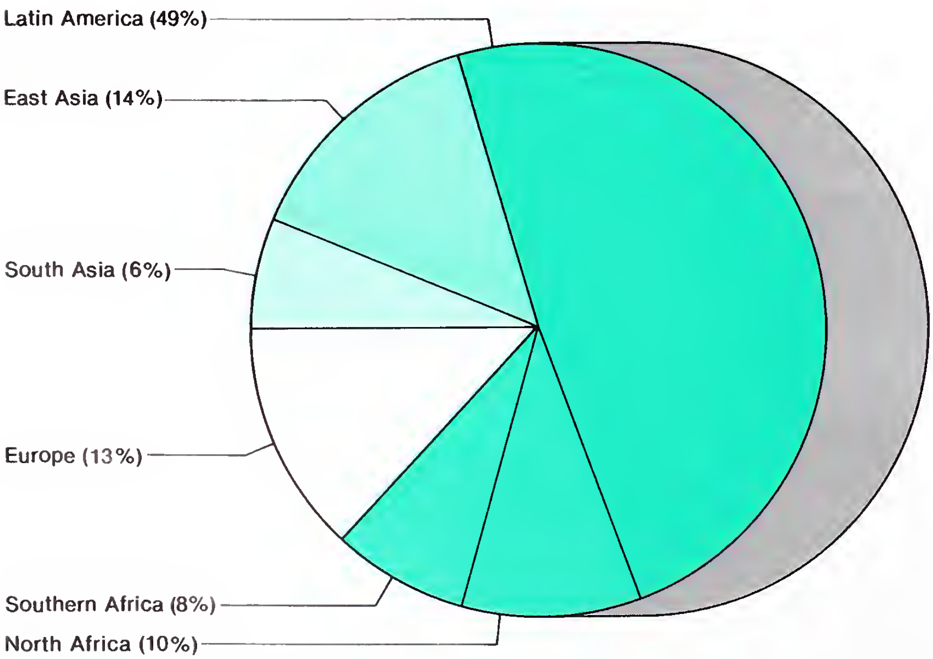
Major U.S. Agricultural Markets Owe Two-Thirds of Developing World's Debt °



° 93 developing countries

Latin America Is the Major Debtor Area

Percent of developing world's debt



interest rates shot up in 1980 and 1981, payment became difficult. Moreover, roughly one-fourth of the debt was short term which meant it was always subject to repayment and thus a constant threat to cash flow.

U.S. Markets Carry Heavy Loads

Many of the United States biggest markets in the developing world are among the countries deepest in debt.

In fact, the 18 countries which are our best market prospects—and which each purchase on a commercial basis $200 million or more worth of agricultural products annually—owe roughly two-thirds of the Third World debt. They also have more than 40 percent of their debt obligations in private and short-term loans, underscoring their vulnerability to changing world monetary conditions.

Almost three-fifths of the debt total is being carried by middle-income oil importers. These nations also have roughly a fourth of their debt in short-term and private loans.

Nearly half of the debt load of developing countries is concentrated in Latin America and the Caribbean nations. They also have heavy short-term and private obligations.

Imports Slashed

In order to meet increasing debt payments, developing countries have had to slash imports.

In 1982, for example, seven Latin American countries reduced their imports by almost 20 percent. Several nations made even steeper cuts. Chile, Ecuador and Peru cut their purchases by 30 to 40 percent, Venezuela by 50 percent and Mexico by 60 percent. In the first half of 1983, Argentina and Brazil reduced their imports a further 20 to 30 percent.

At the same time, a number of other big borrowers, concentrated in Asia, were following the same pattern. As a result, their merchandise imports,

which had grown by 27 percent in 1980, leveled off through 1982 and declined by 3 percent during the first half of 1983.

What About the Future ?

The big question now is: How much will the debt crisis affect U.S. sales in the years ahead? The answer lies in the degree of austerity the developing world undertakes in order to get its finances back in order.

If no financial constraints are forced on the developing countries and they can continue to borrow freely to finance the imports they need and make their accrued interest payments, their economies could grow at about 6 percent a year through 1987, based on historical trends. With this kind of economic growth, U.S. agricultural exports would rise by roughly 8.5 percent annually.

However, such growth would involve a debt buildup from 1982's approximately $700 billion to $2.9 trillion in 1987, representing more than a fourfold increase in five years. This is an even faster rate of growth in debt than the very rapid rates between 1973 and 1981.

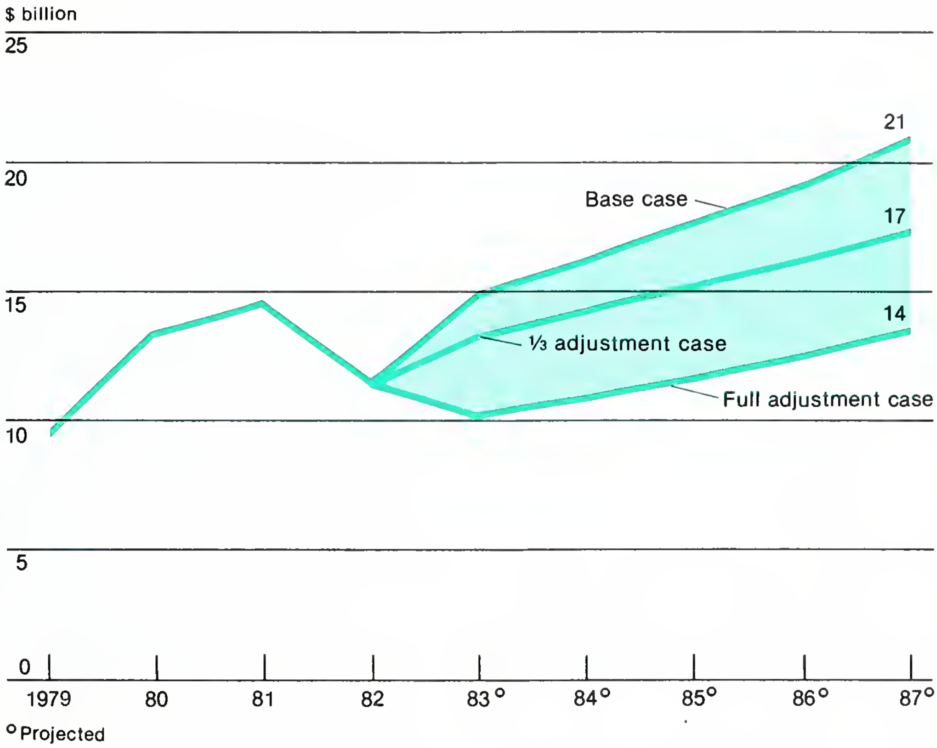
Given the current world environment, and the fact that in 1983 the net transfers to the developing countries were estimated to be a negative $11 billion, it seems unlikely that lenders will allow the developing world to increase their debt burden.

If the developing countries were required to bring their interest payments on their national debts into line with their net exports and net financial transfers, economic growth would be much less rapid.

Assuming a one-third adjustment toward a balance each year, their economies would grow at an annual rate of 4 percent through 1987. Growth in U.S. agricultural exports would average about 6.5 percent yearly.

Even in this case, the total debt of the developing world would rise more than threefold between 1982 and 1987.

Debt Management Strategy Could Make $7-Billion-Difference in Exports



If the developing countries were given no grace period in balancing their payments with their earnings, and their growth and trade were determined by what they had left after making interest payments, their economic growth through 1987 would average only about 2.5 percent a year.

U.S. agricultural export growth would be held to about 3.6 percent annually. There would be a big decline in U.S. sales at the outset, but then growth would resume and growth rates would be back up to almost 7.75 percent by 1987.

In this situation—where virtually no new international financing would be extended to the developing world—the developing world's debt load would be reduced somewhat by 1987, although the reduction would be very small.

The Damage in Dollars

In terms of dollars, which of these strategies is used to manage the debt situation could make a $7-billion difference in the level of U.S. agricultural sales to the developing world in 1987.

Without the financial constraints caused by the debt crisis, U.S. agricultural exports to the developing countries could rise from a base of $11.5 billion in 1982 to almost $21 billion by 1987, based on historical trends. If the debt forces even a modest one-third annual adjustment in the developing world's payments balance, U.S. sales may be about $17 billion. With full adjustment, U.S. sales are projected at $14 billion. ■

The authors are with the International Economics Division, Economic Research Service. Tel. (202) 447-8926.

Debt Situation Sets the Stage For a Food Crisis

By Mathew D. Shane and Merv Yetley

In approximately 50 developing countries, home for three-quarters of a billion people, food production per capita is not growing fast enough to allow them to provide adequate food for their expanding populations.

Some of these countries—those which are not overly burdened with international debt—will be able to import the food they need from surplus areas.

But for the majority of these countries, a staggering accumulation of international debt over the past decade has created the potential for a food crisis.

Portrait of a Crisis Country

A statistical portrait of the typical country facing a food crisis shows:

—Its per capita production and consumption levels have been below the level recommended for maintaining good health and productivity since the mid-1960s, but these levels were a lot closer to the nutritionally desired level two decades ago than they are now.

—Since the mid-1960s, per capita production and consumption have declined, with production falling faster than consumption.

—By 1983, consumption reached only four-fifths of the recommended per capita level while production amounted to only 60 percent.

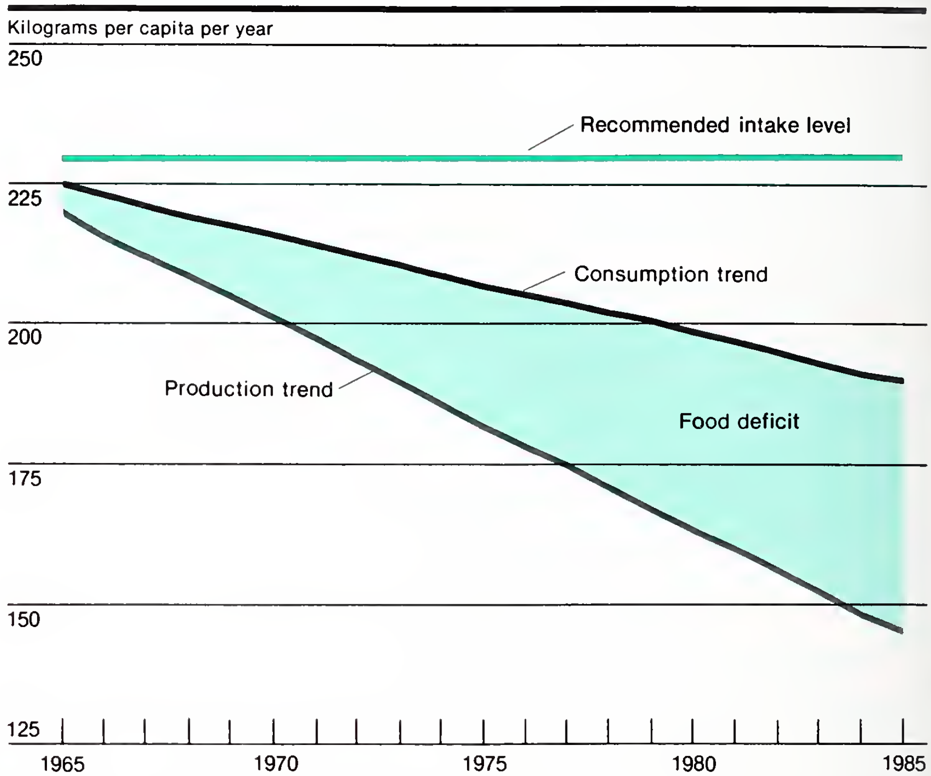
—Odds are four out of five that the food crisis country is in Africa. The remainder are pretty much scattered through Latin America and Asia.

Some countries are better off than this composite portrait suggests. However, in others the food deficit is reaching unmanageable proportions when viewed in the context of their financial situation.

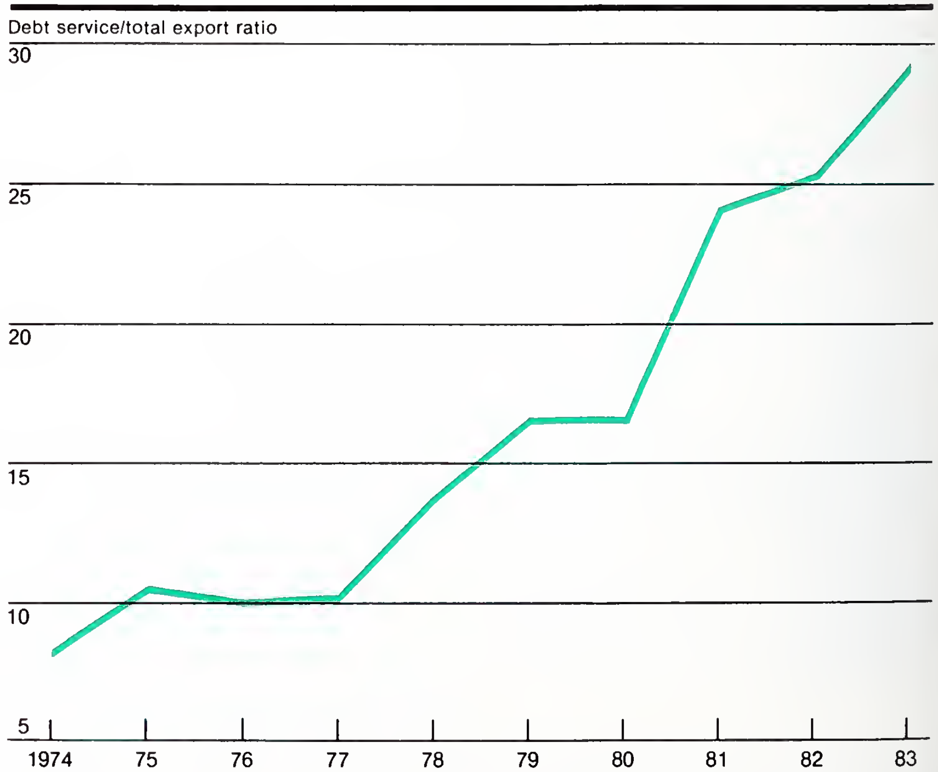
Debt Compounds the Problem

There was an almost sevenfold increase in the debt holdings of food crisis countries during 1974-83.

Per Capita Production Decline Creates Widening Food Deficit

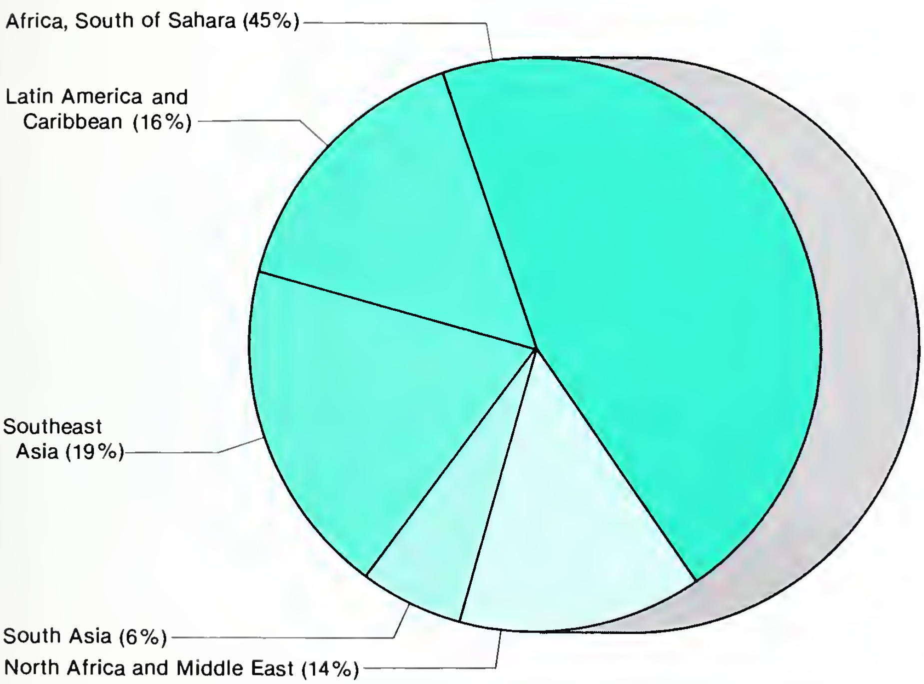


Debt Service as a Percent of Export Earnings



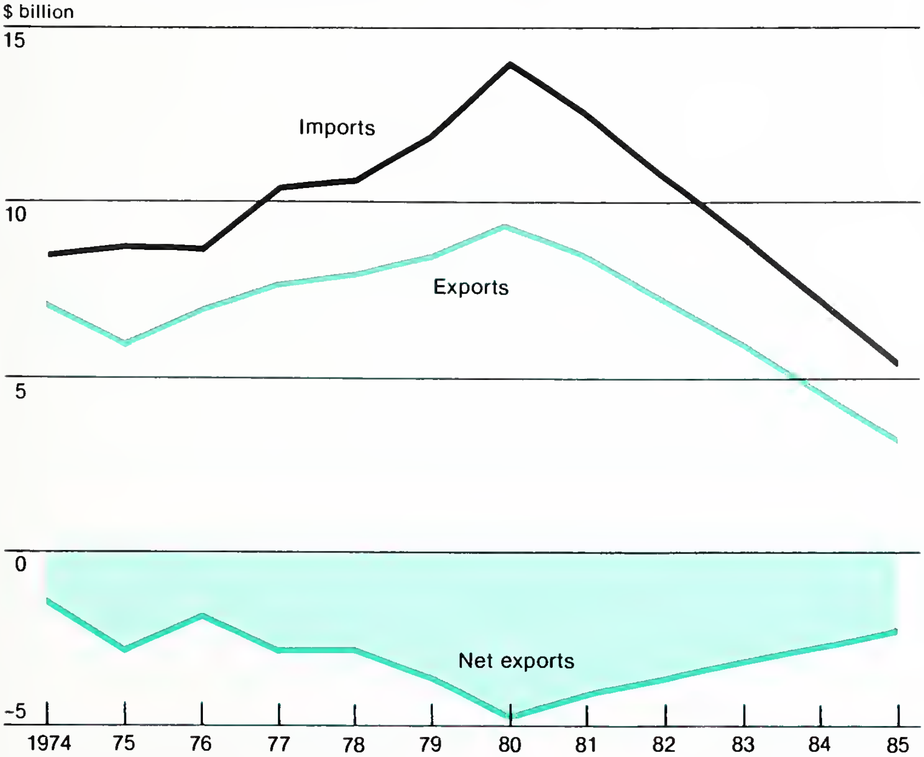
Debt of Food Crisis Countries Concentrated in Africa

Percent of food crisis countries' debt



Constant Need to Import Food Throws Trade Balance Off

$ billion



Servicing that debt is eating up 29 percent of what these countries earn from their exports.

The debt total adds up to more than $200 a person in half of these countries and more than $400 in almost 30 percent. While that may seem small by U.S. standards, it is large when related to the fact that per capita incomes in more than 75 percent of these countries are below $1,000 a year. In 60 percent, the level is below $500.

Food Policies Contribute to Problem

Because of the poverty of their populace, food crisis countries have tended to regulate food prices in order to keep them fairly low. Such policies have discouraged farmers from expanding their production—and thus have aggravated the food deficit.

The countries with food surpluses today are the industrialized nations of North America, Europe and Oceania—which have supported their agricultural sectors rather than their consumers.

Trade Out of Balance

In the typical food crisis country, imports have outstripped exports throughout the past decade—and the gap has widened over time.

In low-income Africa—where a food crisis is already a reality—agricultural products made up almost 30 percent of the continent's total imports in 1982. Paying for these imports—and for food products bought on credit in earlier years—ate up nearly 60 percent of the region's export earnings.

When such a large percentage of available foreign exchange is committed to meeting past and current food needs, not much is left over to satisfy other import requirements. Items which are essential for the economic development fundamental to overcoming the food crisis are bound to be severely constrained. ■

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Fact File

Agricultural Trade With the Developing World

Importance to U.S. Agriculture

During the past 10 years, U.S. agricultural prosperity has become increasingly intertwined with that of the developing world. Since 1970, agricultural purchases by developing countries have increased from $2.2 billion to an estimated $15.5 billion in fiscal 1984. About 20 percent of U.S. farm acreage now is devoted to producing for these markets.

In fiscal 1983, developing nations purchased $13.9 billion worth of U.S. agricultural products, or roughly two-fifths of the export total for that year. They accounted for over half the wheat and more than 60 percent of the rice exported by the United States and, as a group, bought more U.S. agricultural products than Western Europe and Japan combined.

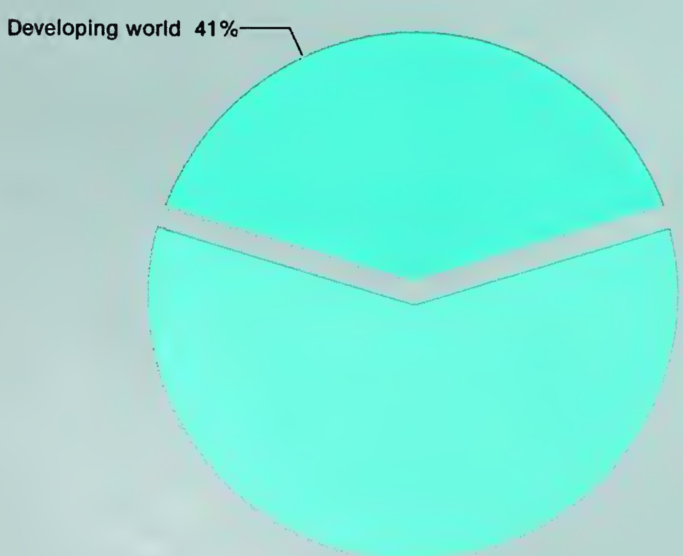
The increased importance of the developing world as a market for U.S. agriculture is partly the result of post-1973 income growth in the oil-producing countries.

However, even countries without oil are becoming sizable markets. For example, such newly industrializing countries and areas as the Republic of Korea, Brazil, Taiwan and Hong Kong have come to have a significant impact on world agricultural trade.

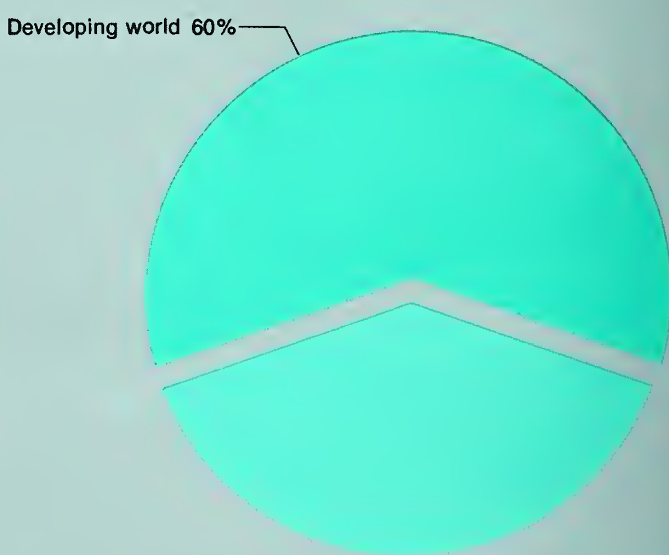
Self-Sufficiency Goals—and Their Impact on U.S. Sales

Many developing countries are striving to become self-sufficient in agriculture, partly in response to large and growing trade deficits. In fact, there already have been dramatic increases in domestic food production in some developing countries. India and Pakistan, for instance, are now exporting wheat.

Developing World Now Takes About Two-Fifths Of U.S. Agricultural Exports. . .



And Supplies Three-Fifths of U.S. Agricultural Imports



Overall, however, per capita food production has declined somewhat in the developing countries with the lowest incomes, where production increases have not been able to keep pace with expanding populations.

Also, climates in many developing countries are unsuitable for producing some crops which these nations buy in quantity from the United States. Wheat, for example, is an important and well-established food in Nigeria, Indonesia and the Philippines. However, these countries cannot grow wheat in any quantity, so their increasing demand will have to be met through continued large imports.

Financial Health

A number of developing countries currently are experiencing severe financial difficulties, which will affect their ability to import on a commercial basis until their problems are resolved. Total debt among developing nations likely exceeded $812 billion in 1984. That is up some $721 billion from 1972 when the debt total was only $91 billion. High interest rates are compounding the debt problem.

Top Developing Country Markets

The top 10 developing country markets for U.S. agricultural products in fiscal 1984 were: Mexico (where U.S. exports were valued at $1,967 million), Korea ($1,816 million), Tawian ($1,406 million), Egypt ($845 million), Venezuela ($776 million), Saudi Arabla ($497 million), Brazil ($437 million), Indonesia ($435 million), Iraq ($422 million) and Hong Kong ($407 million).

There is no single factor among these countries which explains their relative importance as U.S. agricultural markets. The list includes oil exporters such as Saudi Arabia and Venezuela as well as debt-ridden Brazil and Mexico. It includes Indonesia, which is a significant agricultural producer, and Egypt, which is suffering serious agricultural production problems.

Developing Countries' Supply Role

The United States also is a major market for agricultural products of many developing nations. On average, about two-thirds of our agricultural imports are supplied by developing countries.

Since 1970 U.S. imports of agricultural products from developing nations have increased fivefold, rising from $1.9 billion to $9.5 billion in fiscal 1983.

Through our generalized system of preferences (GSP), the United States grants duty-free entry of goods from 140 developing countries. In 1983, the United States imported $1.032 billion worth of agricultural products under the GSP program.

The United States is also a party to several international commodity agreements covering such items as natural rubber, coffee and sugar. These agreements seek to stabillze commodity prices, and thus to provide a reliable income for developing nations.

Charting the Path of U.S. Farm Exports

With the 1980-82 world recession over, world trade is expanding, inflation in the developed nations is largely under control and the international monetary system has been strengthened.

The charts on the following pages paint a vivid picture of the world economy and the problems that have been plaguing it. Although economic indicators are pointing up, there will be no return to the rapid export expansion of the 1970s.

Overall, world economic developments point to a larger percentage of U.S. exports going to fast-growing developing countries, especially those in the Far East. Current economic expansion abroad should boost U.S. exports through at least mid-1985. For the remainder of the decade, U.S. agricultural exporters can expect slightly dampened but durable growth.

Worldwide growth has been concentrated in only a few industrial countries outside of the United States. But leading economic indicators suggest that in 1985, economic recovery in Europe may be stronger than growth in the United States.

Continued appreciation in the value of the U.S. dollar remains one of several impediments to faster growth in agricultural exports. Even the current low prices of several major commodities have not fully offset this.

Economic recovery abroad that has benefited from export-led growth would be compromised by an early and overly sharp drop in the value of the U.S. dollar. This would not only dilute prospects of moderating the expected 1986 downturn in the U.S. economic cycle, but would also curtail prospects for faster paced agricultural export sales to these markets.

Financially troubled agricultural exporting countries will continue to be under pressure to alleviate debt problems by boosting exports.

Economic Climate Will Affect U.S. Farm Exports

Japan and the developing nations of the Far East provide a favorable economic setting for expanding U.S. agricultural exports. These countries have little inflation and no overly large foreign debt to be worsened by high or increasing interest rates.

Market prospects in the major oil-producing countries of the Middle East are less buoyant than in the early 1980s due to substantial reductions in oil revenues resulting from lower prices and constricted demand. In some countries these conditions have triggered austerity measures to cut imports. Following the eventual recovery in the oil market, exports to this region should show modest growth.

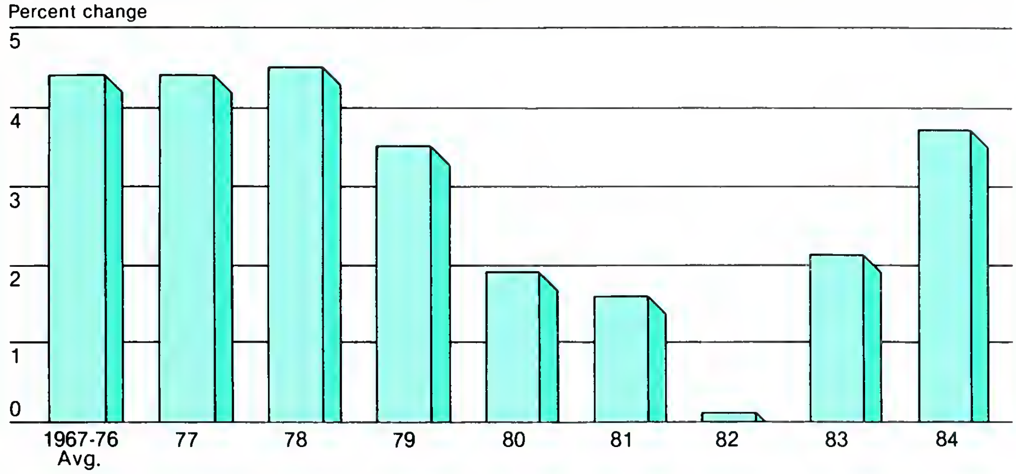
High unemployment in Europe and large debts of Latin American nations will dampen export opportunities to these areas. However, unemployment benefits, debt rescheduling and International Monetary Fund assistance will reduce the dampening effects somewhat.

Because the underlying problems causing high unemployment and large debt cannot be solved quickly, there is growing concern about what will happen when the present business cycle moves beyond the expansionary stage. Policies that have been instituted to achieve durable growth probably will result in growth less than the average of the 1960s and 1970s.

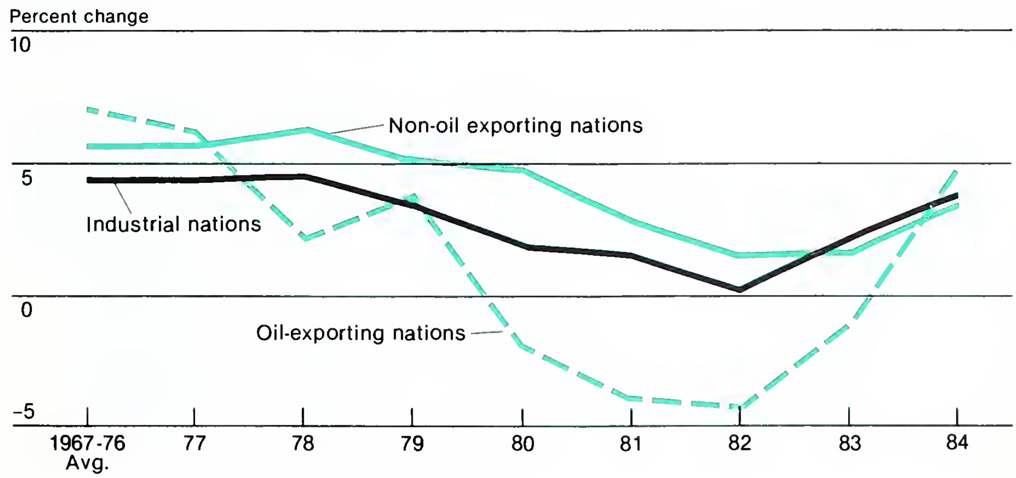
Prepared by the Trade and Economic Information Division, FAS. Tel. (202) 382-1294.

Negative growth in oil-exporting countries and very slow growth in industrial nations accounted for the 1980-83 economic decline with depressed overall world trade levels. The economy then turned around, with most major economic groups of countries showing improved growth patterns.

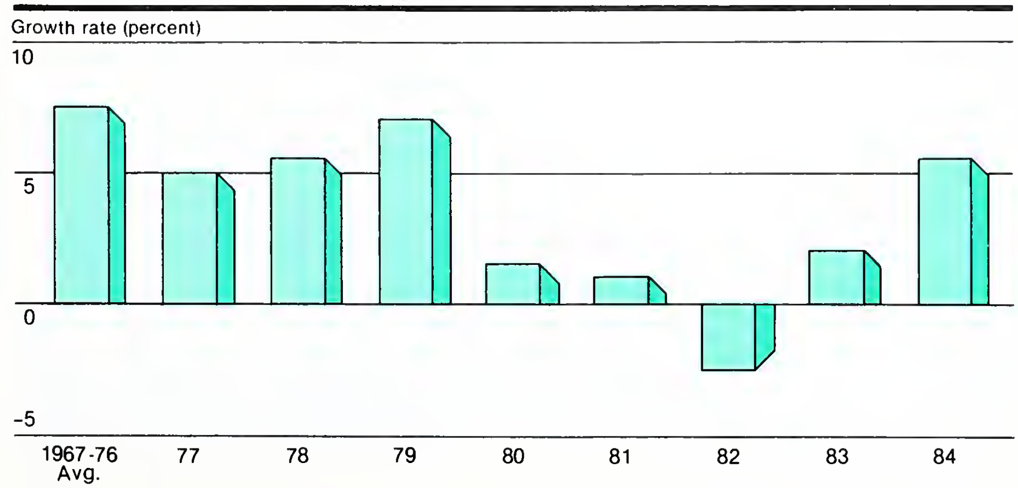
World Economic Growth Rebounds After Slowing in 1980-83



Economic Growth Picks Up Most In Oil-Exporting Nations



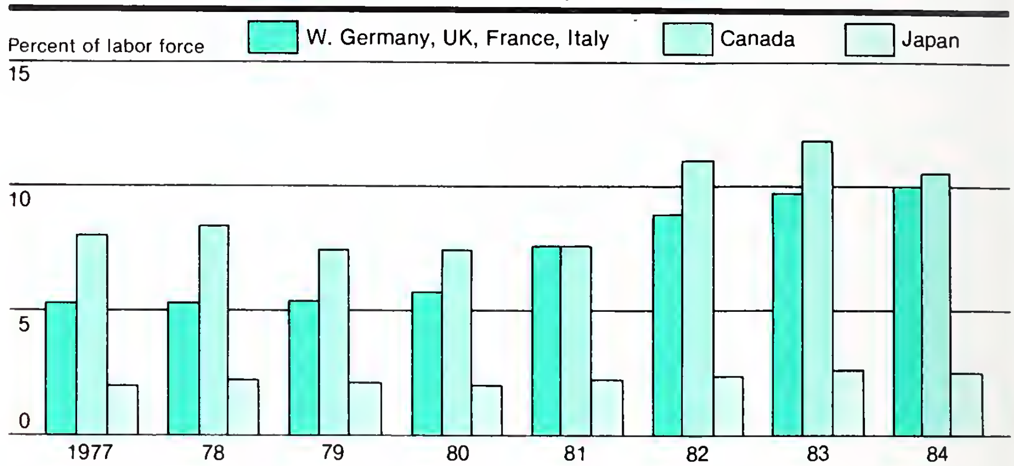
World Trade Expanding Again After Contracting Significantly in 1982



Unemployment rates are still high, and employment gains in the United States have not been matched in Europe.

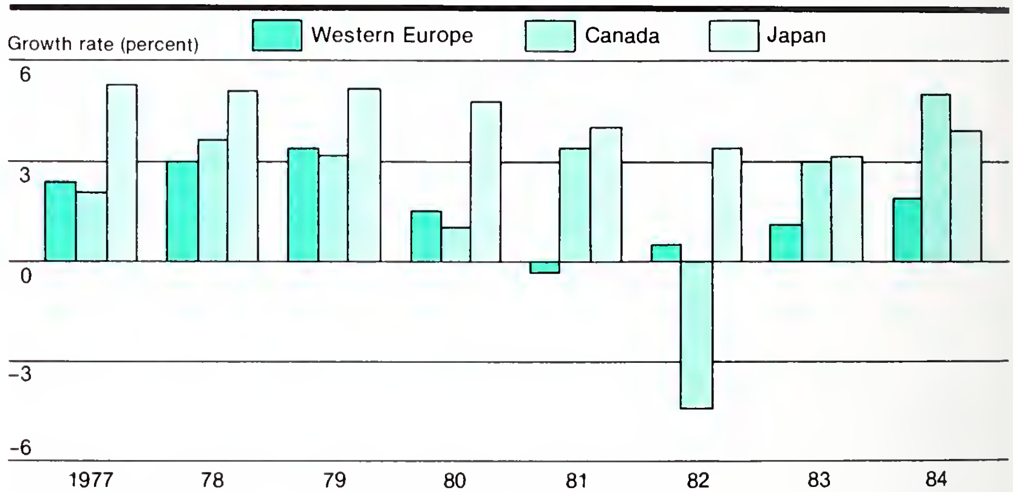
Other economic indicators, such as GNP and consumer prices, are showing positive signs.

Unemployment Still High in Many Countries, Despite Recovery Abroad*

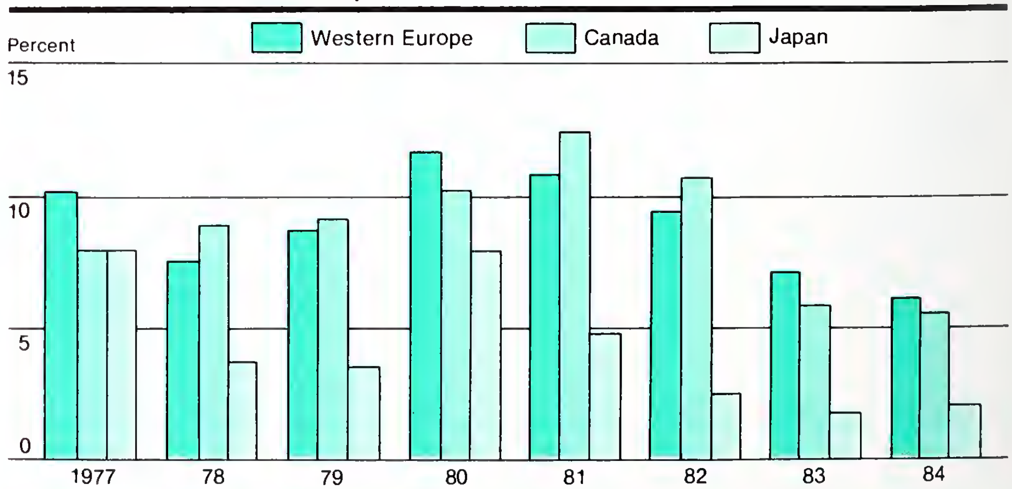


*Data not wholly comparable between areas.

Real GNP Rising Again in Western Europe, Canada and Japan

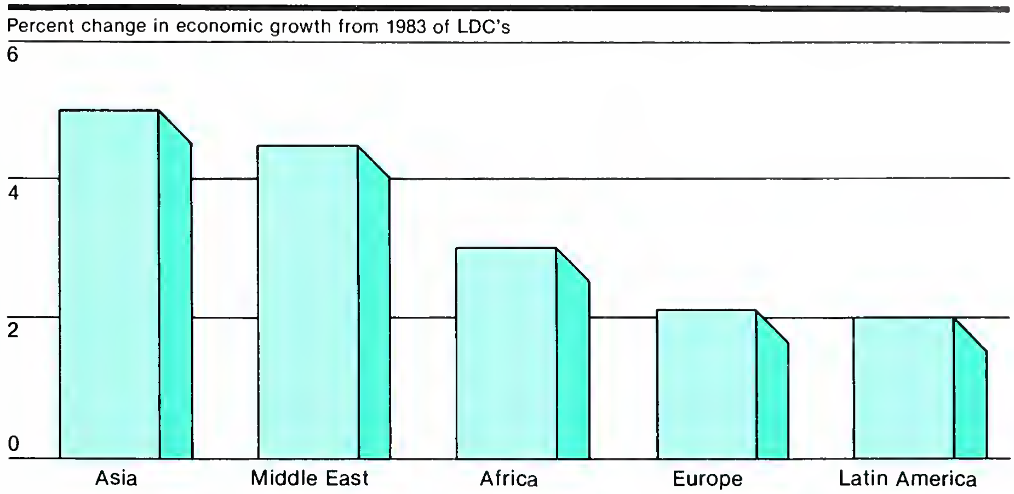


Consumer Price Increases Drop in Most Industrial Nations

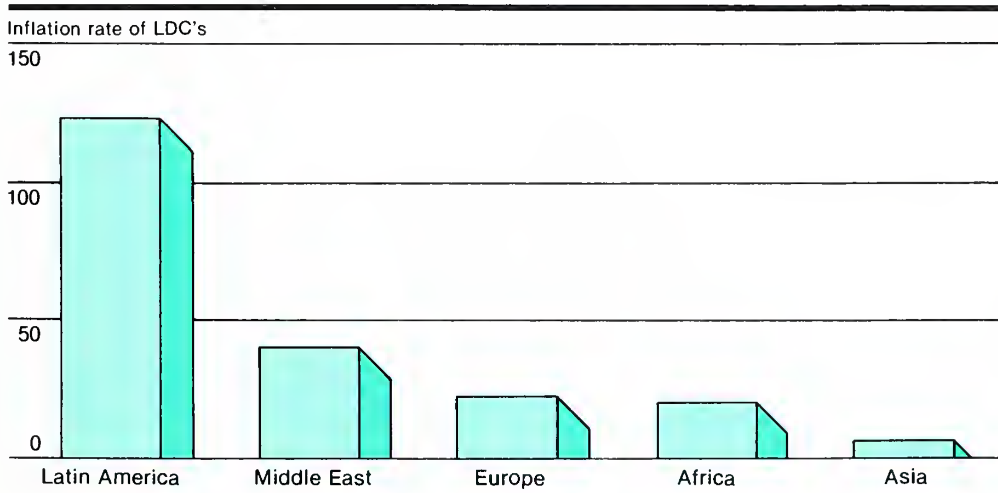


The fastest economic growth is predicted for developing countries in Asia; the slowest, in Latin America. Forecasts for the long-term parallel those for 1984. Growth among less developed countries (LDC's) in Asia slowed little during the recent recession and is now higher than the area's long-term average. Latin America has experienced almost no growth since 1980, but inflation has been accelerating.

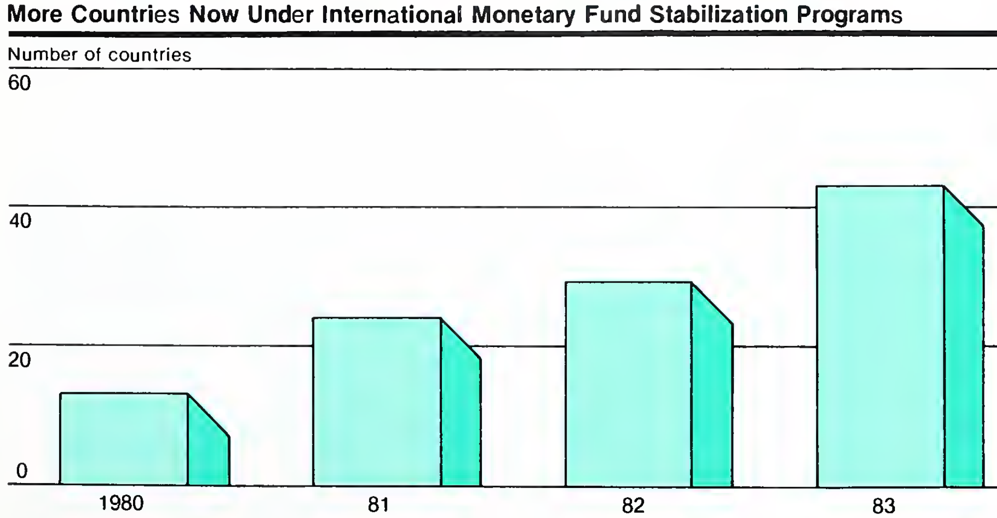
LDC's See Economic Growth in 1984



Inflation Still Problem for LDC's in 1983

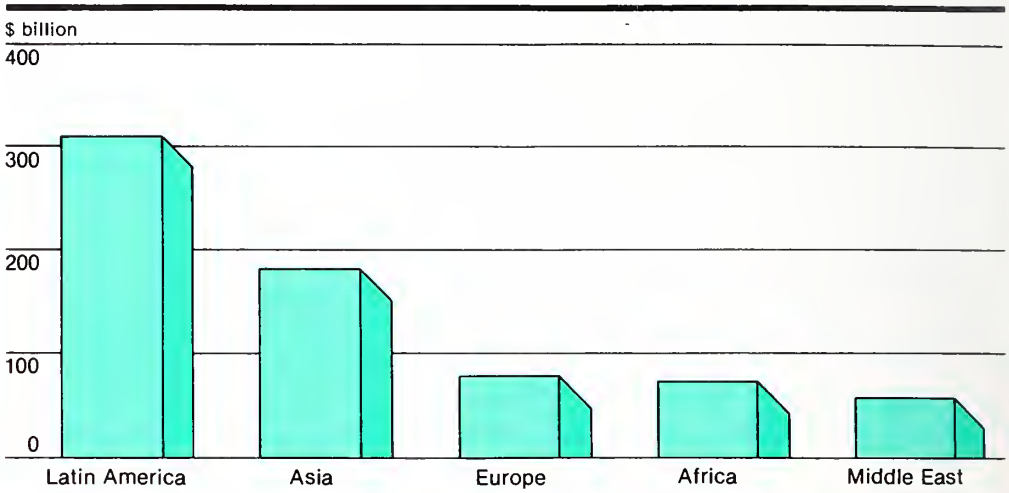


More Countries Now Under International Monetary Fund Stabilization Programs

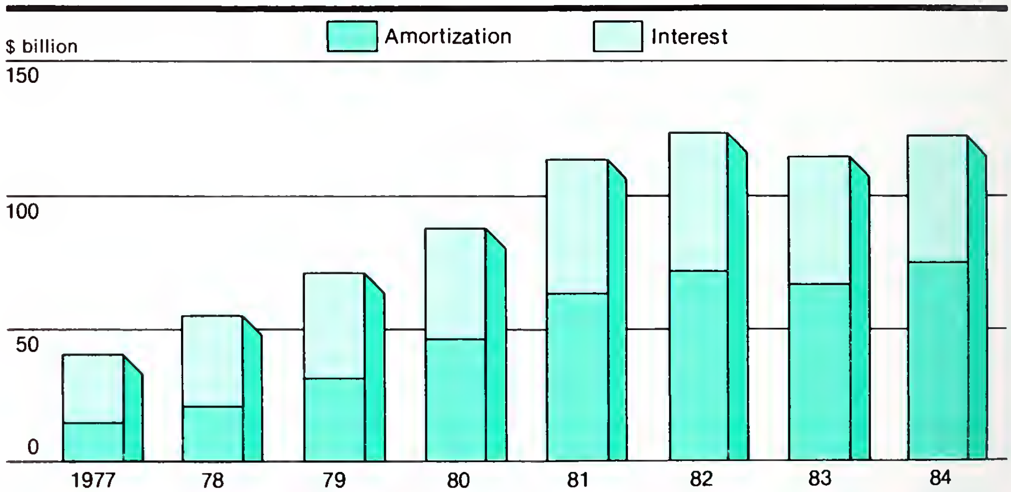


World debt is concentrated in Latin America and is exacerbated by high interest rates and large principal payments. Payments of interest and principal amounted to over $100 billion between 1981 and 1983 and likely reached that level again in 1984. Interest payments as a percent of total debt service payments have grown from just under 40 percent in 1977 to over 60 percent in 1983 and 1984.

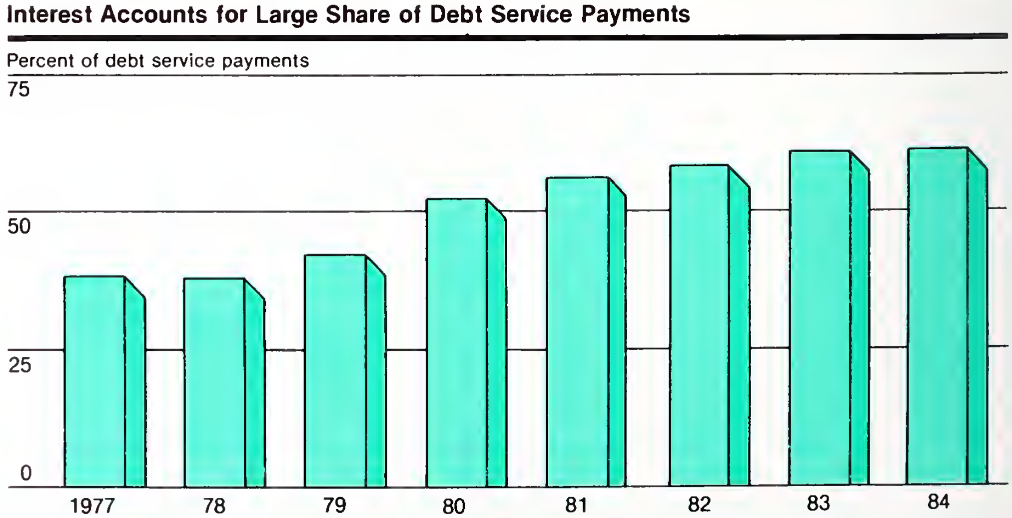
Latin America Leads in Debt Owed



Foreign Debt Service Payments Rising



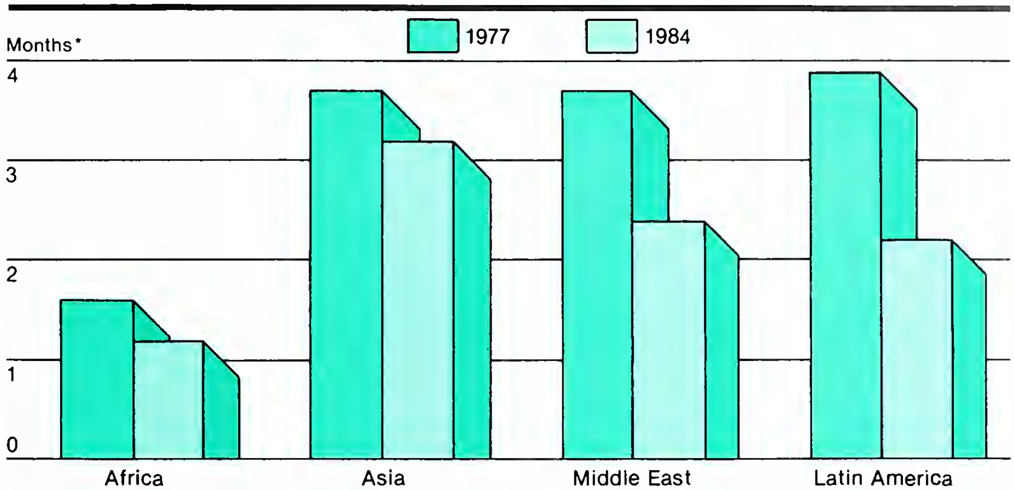
Interest Accounts for Large Share of Debt Service Payments



The import coverage ratio—a measure of a country's ability to cover import requirements with foreign exchange reserves—has declined significantly for several Latin American and Middle East markets.

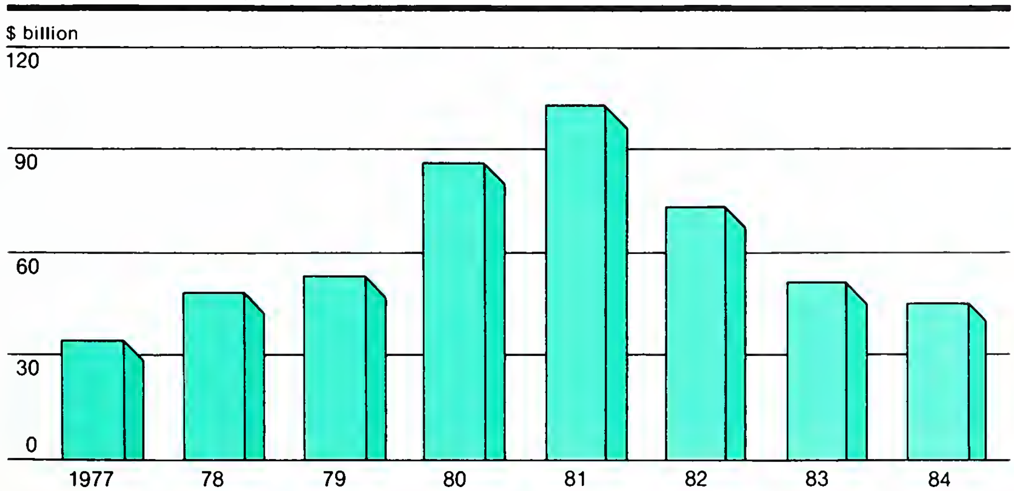
High U.S. interest rates have made it difficult for developing countries to maintain imports and foreign exchange reserves. Some countries that are usually high-volume U.S. markets have seen their import coverage ratios move to the lowest point in a decade.

Import Coverage Ratio Declines



*Months of imports that a country can pay for with its existing foreign exchange reserves.

External Borrowing by LDC's Declines



Exports To Become More Crucial For U.S. Agriculture

By Clark Edwards

During the next two or three decades, the domestic market for food is expected to expand less than 1 percent per year. U.S. agricultural capacity, however, should grow much faster. The resulting potential for excess supplies will make the expansion of foreign markets more cruical then ever for U.S. agriculture.

Exports are already an important outlet for U.S. farm products. Today, the output from 40 percent of harvested acres in the United States enters export channels, compared with 20 percent just a decade ago.

If U.S. exports increase at an average annual rate of 3 percent, as expected, output from approximately 50 percent of the harvested acreage will be exported by the year 2000.

Even so, the U.S. share of exports—and of global output—will decline as worldwide production expands. These findings are based on a study being prepared by Economic Research Service, one in a series of publications on world food problems.

World Food Production Expected To Satisfy Demand

World food production is projected to meet the increased demand even if output slows somewhat from the growth rates of the past 30 years. Production rose annually at a 2.9-percent clip in the 1950s and 2.7 percent in the 1960s. However, bad weather and adverse economic conditions dropped the rate to 2.2 percent during the 1970s.

Prospects are that world agriculture can double its output over the next three decades. To do so, long-term growth will have to be maintained at slightly above the reduced pace of the 1970s. This is likely to occur, even though farm prices could fall as production outstrips demand.

Global Food Consumption Gains Slowing Slightly

Meanwhile, world food consumption is expected to double over the next three decades, spurred by rising incomes, changing tastes and better distribution of food to low-income people.

The last doubling took 27 years. The pace will be slower this time because growth in world population is easing.

Population growth during the 1990s is expected to fall to 1.6 percent per year, compared with the current 1.7 percent and 1.9 percent during the 1950s and 1960s. Forecasters have suggested that if present trends continue, world population growth may cease altogether during the next century.

Impact Would Vary

Alternative future levels of world food production, demand and prices would have differing impacts on U.S. farmers, exporters, consumers and others in the food marketing system.

If a relatively plentiful world food situation prevails, U.S. export markets will grow more slowly, with excess supplies perhaps becoming more extensive. If export growth falls to as little as 2 percent per year, larger domestic supplies would mean even lower farm prices.

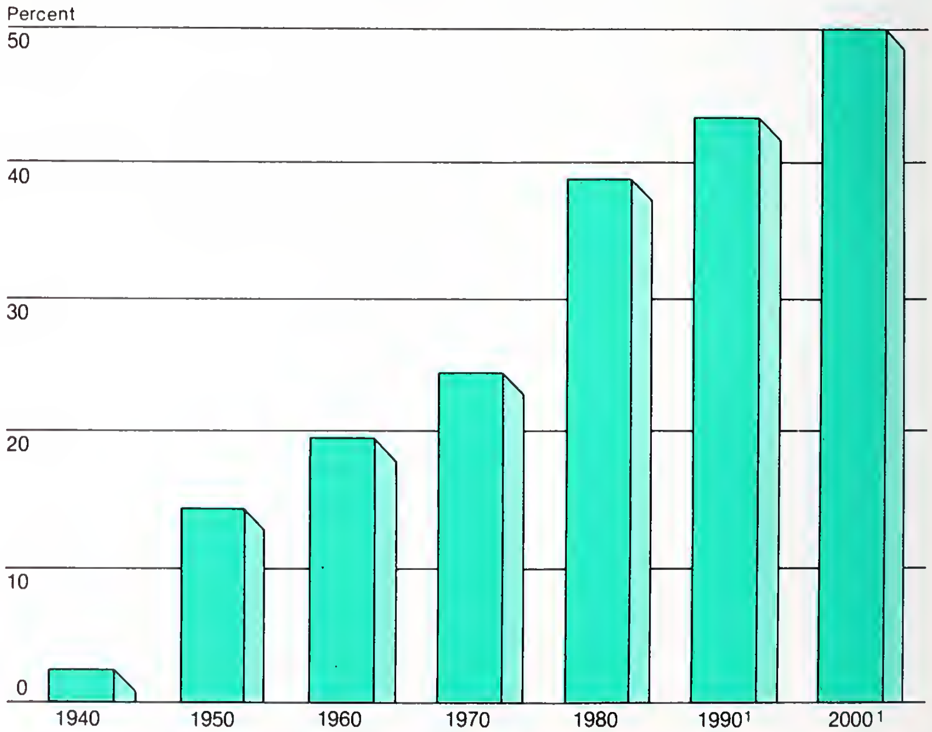
Lower feed prices would benefit livestock growers, but extensive federal assistance would be needed to support farmers' incomes.

Conversely, should there be an extended period of world food shortages, food prices relative to other consumer spending would rise and export markets would grow at a quicker pace. Farm income would improve, consumer prices would rise, and the need for federal aid would probably be unnecessary for most commodities.

Factors of the Future

Many factors will influence the future supply of U.S. farm products, including new approaches on farm policies and trade agreements. Ways will have to be found to expand exports, accommodate the probable downtrend in world food prices, and cope with short-term fluctuations in prices and export levels as U.S. farmers turn more to international markets.

U.S. Exports, as Percent of Harvested Acreage, Are Rising



[1] Exports projected to increase 3 percent per year.

Agriculture is increasingly affected by national monetary policy, tax laws and the level of government deficits. For instance, higher interest rates dampen demand for farm products because they increase foreign exchange rates—thereby raising the real price of U.S. agricultural products in world markets.

On the other hand, food supplies also may eventually decrease as higher interest rates discourage investment in farmland and capital.

The internationalization of U.S. agriculture has changed the basis for farm policies. It has implications for the relative well-being of farmers, the agribusiness sector and consumers as well as U.S. trading partners.

Besides coping with past issues of farm output, prices and income, farm policies now must accommodate further reliance on export markets, the downward pressure on real domestic prices, and a high level of uncertainty and volatility in the world food trade. ■

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Trade Updates

Chilean Austerity Measures To Cut Imports

To comply with guidelines established by the International Monetary Fund, Chile in September devalued its peso by 23.7 percent and increased the average import duty to 35 percent ad valorem. Previously the duty had been 21 percent. These steps, along with other austerity measures, are expected to remain in effect through 1985 and will undoubtedly cut down on imports. In 1983, the United States exported $170 million worth of agricultural products to Chile, principally wheat, soybean oil and sugar.—*Herbert Finn Rudd, FAS. Tel. (202) 382-1338.*

China Making Stronger Push To Sell Soybeans to Japan

Through 1982, China offered soybeans to Japanese traders only at biannual fairs, usually at prices much higher than those prevailing in the international marketplace. During 1983/84, however, the Chinese offered soybeans to Japanese traders six times and their prices were competitive.

Chinese beans are priced in Japan on an f.o.b. basis. Because the ocean freight rate between Japan and China has been $23.70 a ton for the last few years, the c & f price of Chinese beans remains higher than that of U.S. beans, which are always priced c & f Japan. Nevertheless, the 1984 Chinese crop is reportedly good, so imports from that country are expected to be about 330,000 tons in 1983/84, up from 275,000 tons the year before.—*W. John Child, Agricultural Attache, Tokyo.*

U.S. Cotton Sales to Switzerland Set Record

The United States supplied a record high 16,101 metric tons of cotton to Switzerland in 1983/84, or approximately 29 percent of all Swiss cotton imports. Forecasts indicate we will sell about a similar amount during the current marketing year as U.S. cotton is well received by Swiss cotton mills.

Overall, the Swiss spinning industry is enjoying a healthy business activity. During the first six months of 1984, Swiss mill output was up 7.2 percent from the year before, and total output for all of 1984 was expected to exceed 1983. The major reason for this strength was the continuing expansion of Swiss exports of cotton yarns. —*Mattie R. Sharpless, Agricultural Attache, Bern.*

Wood Product Exports Decline Slightly

U.S. exports of solid wood products in the first eight months of 1984 totaled $1.84 billion, about 2 percent below exports during the year-earlier period. The volume of exports of most major categories of hardwood have increased while the volume of most major softwood products declined. Softwoods account for about 70 percent of total exports of solid wood products.

Japan, the largest single country market for U.S. wood products, imported $703 million worth in the January-August period, down $23 million from the same 1983 period. This was the second decline in as many years for Japanese trade. Exports to many other major markets also declined. However, shipments increased to China, Taiwan, Australia and Mexico.—*Vernon L. Harness, FAS. Tel. (202) 382-8138.*

Zambian Corn Market Looks Promising

Prospects for U.S. corn sales to Zambia in 1984/85 look promising in light of limited supplies available in such countries as South Africa and Zimbabwe. Corn imports may reach 350,000 tons in 1984/85, for an increase of about 25 percent over 1983/84. Three years of drought have reduced government stocks and domestic consumption to minimum levels. If U.S. corn prices remain competitive with other possible suppliers such as Thailand, Argentina and possibly Brazil, additional commercial sales could take place. —*Donald Novotny, FAS. Tel. (202) 447-6219.*

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Country Briefs

Bangladesh

Growing Market for U.S. Cotton

Bangladesh is on the threshold of becoming one of the world's most rapidly growing markets for raw cotton. Annual per capita availability of cloth is only 6 meters, implying great potential for expansion in domestic demand.

The United States has been the largest supplier of cotton for the past two years. In 1983/84 we supplied about 36,000 tons, or 56 percent of the import total. Price and credit terms are important considerations for Bangladeshi buyers because of foreign exchange constraints. If the United States can compete in these areas, it will continue to be a major supplier to this growing market, particularly since competition between the public and private sector is expected to further encourage quality consciousness.

Pakistan is the principal U.S. competitor in the market, and it enjoys a considerable advantage because of lower shipping costs and shorter delivery times. Pakistani traders have been very active in promoting not only raw cotton but also textile machinery, especially powerlooms. However, due to a bad harvest in 1983/84, Pakistan is not particularly active at this time. China may also become a regular supplier—Bangladesh made its first purchase of Chinese cotton this past spring. *—Robert E. Haresnape, Agricultural Attache, Dhaka.*

China

Growing Demand Seen For Wood Imports

China's forest products sector is at a pivotal stage. While it has undertaken a massive effort of afforestation/reforestation, the country also is facing unprecedented demand for wood products not only because of the size of its economy but because of the rising incomes being generated by that economy.

China's housing situation remains acute, despite a near doubling of investment in the industry in recent years. Reportedly, almost one-third of urban residents are on waiting lists for new homes or for improvements to their present dwellings. Increased furniture availability also is high on the list of items receiving production priorities. In both sectors, there will probably be attempts to substitute other raw materials such as brick, concrete, steel and alloy aluminum for wood. Nevertheless, the quantity of wood used in these sectors will increase in absolute terms.

Imports now account for about a tenth of China's total wood supply, versus only 3 percent as recently as 1980. U.S. suppliers have been the major beneficiaries of the growth in the Chinese market for imported forest products. U.S. exports have grown from $43 million in 1980 to almost $236 million in 1983, making China the third largest market for U.S. forest products. The Soviet Union, Southeast Asia and Chile have also supplied larger shares. Indications are that China will further diversify its sources of supply as it has entered into joint venture timber operations overseas.

Logs dominate the composition of imports and probably will for some time to come. However, China could also develop into a fairly significant outlet for value-added wood products. This will be mainly for softwood lumber but sales of hardwoods for furniture manufacture could also rise. Given China's labor force and current emphasis on light industrial development, there is excellent potential in producing furniture for export. Such furniture products could be manufactured from both domestic and imported species. *—Norman R. Kallemeyn, Agricultural Counselor, Beijing.*

Joint Venture With U.S. Firm Announced

China reportedly has signed a contract with the U.S. food company, Del Monte Corporation, that, if successful, may lead to a large-scale joint venture. The contract between Del Monte and the Shanghai Foodstuff Industry Association calls for an initial planting involving four high-yielding strains of tomatoes, sweet corn, asparagus and sweet peas. The Shanghai group will supply the manpower, land and living quarters while the U.S. firm will supply equipment, technical services and raw materials. If first year results are encouraging, cooperation may be expanded to include other vegetables and fruits as well as processing and canning.

China's leaders and planners apparently are making real efforts to improve the country's food processing industries. At a national food processing industry conference held in September 1984, China's Vice Premier, Tian Jiyun, stated that foreign capital and technology could be used to improve the quantity as well as quality of processed food products. Foreign technology that will bolster crop quality and processing techniques plays a part in this upgrading.—*Michael Humphrey, Agricultural Officer, Hong Kong.*

Japan

California Avocados Sell Well

Receptive Japanese consumers, expanded distribution, and aggressive market development have combined to bring about impressive increases in exports of California avocados to Japan. The promotion work in Japan funded by the California Avocado Commission along with the Foreign Agricultural Service has helped overcome what had been an almost total lack of consumer awareness about this product.

Several factors have contributed to the excellent sales opportunities: The Japanese generally have a favorable attitude toward health foods and products from California; and avocados are well suited to the traditional Japanese diet, particularly for foods such as sushi and norimaki. In addition, growth in the number of Western-style restaurants has increased the demand for avocados for salad bars and similar uses.

Against this favorable background, the biggest boost to avocado sales in Japan may have been the increase in the number of Japanese companies importing and distributing avocados. While there was only one major Japanese importer of avocados in 1982, there are now three, and a total of nine companies reportedly are now involved in importing and distributing avocados. As a result, the distribution network has been expanded greatly, along with the promotion area. Impressive local results have been registered since promotion and distribution began in Hokkaido and Sendai in 1983, and in Hiroshima and Fukuoka in the spring of 1984.

The only competition for California avocados has come from Mexico, which has been able to capitalize somewhat on the winter gap in California supplies. However, the Mexican share of the market has been decreasing, and the earlier availability of the California crop this year may further weaken the Mexican position. —*W. John Child, Agricultural Attache, Tokyo.*

United Kingdom

French Make Inroads In Corn Market

An unforeseen consequence of the 1983 drought in the United States is that corn starch manufacturers in the United Kingdom seem to have adjusted to French corn, previously thought to be unsuitable for their purposes. The past crop year saw U.K. corn starch manufacturers using a larger proportion of French corn than ever before. In fact, the United States and France now have an almost equal share of U.K. corn imports—49 percent and 46 percent, respectively.

Initially the larger French imports were a response to the quality of the drought-stricken U.S. crop in 1983. Later on, however, movement of French-origin corn became advantageous as traders refused to accept the risk of price movements associated with the EC Commission's suspension of import levy prefixation for third country imports.

Scotch whiskey distillers also seem to have cut back on their use of corn, which cut into the U.S. share of this U.K. market. In spite of some early-season expectations of a pickup in sales, distillers decided later on that the outlook was still flat. High-priced U.S. corn was not very competitive with French origin, and some producers also found themselves with stocks of grain alcohol sufficient to warrant a cutback in production. —*Turner L. Oyloe, Agricultural Counselor, London.*

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